

FRS Equity Strategies

A Consulting, Outsourcing, and Educational Institute for Equity Compensation

Outline of Stock Administration Tasks

EQUITY PLANS - GRANTS and TRANSACTIONS

Options / SARS / SSRs Granted

- Enter and track Incentive Stock Options
- Enter and track Non-qualified Stock Options
- Pricing
- Approval Matrix for Number of Options to Grant
- Determination of Class or Option Type: new hire, merit, promotion, annual grants, evergreen, performance, market
- Board Approval

Grant Agreements - prepare and mail or send

- Tracking returned agreements
- Storing/Filing agreements
- Employee Communication
- E-grants upload

Restricted Stock Awards (same as for Options)

Restricted Stock Units (same as for Options)

Stock Appreciation Rights (same as for Options)

Options / SARS / SSRs Exercise Process

- All communications from employee, broker, transfer agent
- Cash Exercise
- Cash Exercise through broker
- SDS Exercise through broker
- Sell to Cover
- Swap
- Tax Withholding
- Reporting to Payroll
- Tax YTD Withholding Caps
- Ordering Shares: DWAC, physical certificates
- Reconciling Cash Receipts - Broker to Exercise Cash Report
- Employee communication
- Report tax withholding to Payroll Dept
- Collection of funds for price and tax withholding

Restricted Stock Awards / Units Releases

- Notification in advance of the tax w/h event
- Collect Tax withholding: if cash
- Monitor Tax withholding: if sell-to-cover, withhold shares
- Process release of shares
- Escrow account reconciliation
- Notice/Statement to employees

Disqualifying Dispositions

Tracking
Reporting to Payroll
Reconciling to Payroll - we send the Reports to Payroll, mo or qrtly
Reconciliation, annual recap to Payroll on Dec 1 and Dec 31

PERSONNEL MAINTENANCE

Terminations

Notification to employee via email (advance of day) or mail statement
Days after Term Date
ISO Rule - 3 mo grace period
Disability
Death

Options Canceled

Option cancellation will happen automatically when termed
Location Transfers
Leaves of Absence
Communication

Options Expired

Advance notice to employees - 6 months and 3 months

Leave of Absences

Track in system
Notice to employees

REPORTING

Month-end Reporting

Options Outstanding
Options / Awards Granted, Exercised, Canceled-Forfeited
Common Stock Outstanding and recon to Transfer Agent
Reconciliations of Plan Reserves

Quarter-end Reporting

Diluted EPS assist - report the Weighted Options O/S
Prepare the EPS calculation
Weighted Options and Unvested Awards O/S - report

EXPENSE ACCOUNTING

FAS 123(R) fair value of options and awards

Determine Black-Scholes factors and assumptions
Determine the estimated forfeiture rate (EFR)
Approval by the Company
Fair value all options and awards
Report the expense allocation with the EFR applied
Report the expense for unusual awards, warrants, or liability awards
Off-line reporting and tracking

GENERAL

Technology assistance

- On-line access for employees to their option data
- Using email for communication
- Using company's intranet web site
- E-Forms
- E-Processes
- Security set-ups and compliance

Database Maintenance

Transfer Agent Liaison

Stock Broker(s) Liaison

Employee Communication

- US, remote or foreign employees via email
- Lost certificate email instructions
- Transferring Shares instructions - broker to broker

ESPP

Employee Stock Purchase Plan

- Purchase Period set-up in system
- Pricing per plan

Open Enrollment

- New
- Changes
- Withdrawals
- Discontinuance

Purchase

- Contributions received from Payroll reports
 - Domestic
 - International - Conversion of foreign currency
- Reconciliation of contributions
- Order new issuance of Shares
- Accounting Entries

ESPP Disqualifying Dispositions

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